



STORAGE TECHNOLOGIES AND AUTOMATION LIMITED

CIN: U74900KA2010PLC052918
GST: 29AAOCS1579F1ZU
PAN: AAOCS1579F



**RACKS &
ROLLERS**
STORAGE TECHNOLOGIES AND AUTOMATION

Date :14th June 2024

To,
BSE Limited,
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai-400001.

BSE Scrip Code/Script ID : 544171/STAL

Subject: Transcript of the Earnings Call held on 13th June,2024

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the Transcript of the Earning Conference Call of the Financial results of the Company for the quarter and year ended March 31, 2024, held on Thursday, 13th June 2024, at 4.30 P.M. (IST).

The audio link of the conference call is available on our company website.

We request you to take the same on your record.

For STORAGE TECHNOLOGIES AND AUTOMATION LIMITED

**Mohammad Arif
Abdul Gaffar Dor**

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Mohammad Arif Abdul
Gaffar Dor
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Mohammad Arif Abdul Gaffar Dor
Managing Director
DIN: 02943466

Enclosed: Transcript of the Earnings call held on 13 th June ,2024

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REGISTERED OFFICE

No 10, Survey No 21/6A, 21/7A, 21/7B and 21/8, Singanayakanahalli
Yelahanka Post, Bangalore - 560064. Karnataka, INDIA.



info@racksandrollers.com



+91 9019 11 33 55

**STORAGE TECHNOLOGIES AND
AUTOMATION LIMITED**

www.racksandrollers.com

Racking | Shelving | Automation | Structural | Consulting

Storage Technologies & Automation Limited
Q4 & FY'2024 Earnings Conference Call
June 13, 2024

Moderator: Good day and welcome to the Storage Technologies & Automation Limited Q4 & FY'24 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star and then zero on your touchtone phone.

I now hand the conference over to Mr. Afzal Hussain, Whole-Time Director of Storage Technologies & Automation Limited. Thank you and over to you Sir.

Afzal Hussain: Thank you Darwin, Thank you so much. First and foremost, I would like to thank everyone for joining us on this conference call. On behalf of the entire management of Storage Technologies & Automation Limited, also known as Racks & Rollers, I extend a warm welcome to everyone for this meeting.

And today, as Darwin explained, we are here to present the performance of a company in H2 and the year ending 2024.

Before we get into the numbers, I would like to give you a small brief about what this year has for us. This year we were part of one of India's biggest rack supported warehouse, which was spread over 4,00,000 square feet and 70 feet tall, making it the single biggest warehouse rack supported warehouse in India and to be part of that was one of the biggest achievement we have this year.

As you all aware, we are in this business of storage, warehousing and automation solutions, we have been in this business from over 14-years and We understand the warehousing requirements for all the customers, we help them identify the right set of infrastructure and automation that is required for their warehouses. During this, we have a very customer-centric approach. We always understand from the mindset of the customer what is required for them, understand their business challenges and propose them with the best possible solution that are available in the market. While doing so, We are not hesitant to do new product development and also participate in optimization the system with the customers so that they are given the cost effective solutions . As we write, we always say to all our customers, it is not about them being a victorious out of a negotiation or a project transaction, but for us to enable them to become victorious every day in their operations. This is what the approach we have. For doing so, what we have done is we spent a lot of time and efforts with our customers from various backgrounds that we work with and we have extensively created a huge database of

data, content and understandings from the market. By virtue of which we are able to help them and support them with the best solutions. This comes with a lot of understanding of both the Indian and the international market.

India is a vast country which constitutes close to 20% of the world population and we are serving this country. Apart from this, we also want to take India to the world and want to increase our exposure from exports which was lesser last year and would like to increase it over the period of time, for which we have planned some strategic partnerships in the Middle East and North African region, and we are also working on many projects from Europe and US. We are in the process of establishing some strategic partnerships in those geography.

We are adding a new sales team. hired a new Vice President, Sales who is already part of our team and will be part of our growth story.

We are also on the verge of doing a lot of new product development and new lines whereby we can increase our company's turnover and profitability.

As you are aware, that logistics warehousing is one of the fastest growing markets in India and globally, we are at the right time at the right place in the right country and we are here to capitalize by addressing to the right needs of the customer.

And with this, I would like to say that we have done a revenue of 93.70 crores in the last financial calendar and increasing the turnover of the company by 16%. Also, are EBITDA which stood at 5.36% has now increased to 13.66% and 12.81 crores as EBITDA, and we have increased our PAT to 6.07 crores, and this has been largely due to the efforts that we and the collective effort that our complete team has put into making this happen. And we would to continue putting this effort to get better results in terms of revenue and profitability to all our stakeholders.

Thank you. What we would do is we'll take up questions and queries if anyone has and then we will go forward.

Moderator: We will now begin the question-and-answer session. We have the first question from the line of Sriram R, an individual investor. Please go ahead.

Sriram R: My question is, if I look at the rack supported warehouse market, that's about \$2.5 million, right, it's a very small market and there I think you have a 65% share. Now if I look at the overall industrial market, racking system market, that's about 4,500, where we are probably at 90-odd crores. So there are the other players also, there are MNCs and there is Godrej and the Nilkamal. So, my question is how are you going to increase your share, what are the new products, what are the new areas, what is your competitive edge?

Afzal Hussain: What happens in this market is everyone have set a unique product which they are better at and certainly what I can say is in the rack supported space, we are leading the market, even Godrej would come second to us. Also, to our accreditation, we have the highest indigenously

manufactured design and installed warehouse in India, which is standing at 37 meters would be 125 feet approximately in height is also accredited to us. So to say that we have a better market share in this, it's only purely basis on the amount of experience that we have, amount of customers who have invested their trust in us and second is what we have delivered back to the customers which brings more customers back to us. And for the bigger market share, which you said, the whole market is over 4,000 crores, yes, there are plenty of places where Godrej is better like you mentioned and there will be many places where we are better and this is how the market dynamics would be. So, yes, we are doing some new product development. Once the products are out, we will also share the same with everyone. But, as of now I would, I wouldn't want to speak much on the products that we are developing by virtue of which we will be able to take the competition to all our competitors.

Sriram R: Sir, can you give a product breakup for FY'24, like how much would have these rack supported warehouse contributed to your top line and other?

Afzal Hussain: As of now, I wouldn't have that data. However, what we would do is, you can send in a mail at racksandrollers.com and we would have that data shared with you.

Sriram R: I will definitely mail. So my question again is like no doubt that you have a larger share on the rack supported market, but the market itself is small, right? So that is why I'm again asking you like, because the company has to go into other types of racks or whatever you call it to grow its revenue, right, because otherwise it will not be scalable, right, because it's just a 2.5, it's about 20-odd crores if I remember correctly, I think that's the figures from your RHP. So what is that the company is going to do?

Afzal Hussain: We have a vast range of products already available on us of which rack supported warehouse there is not much of competition to us. That is how we would want to put this across. Second, with respect to the market, so there are two ways in which our rack supported warehouse is becoming bigger. One, the number of customers who want to save costs and execution time, want to go in for rack supported warehouse merely because you don't have to go in for two different structures which are independent of each other. Second, by going for this, what you do is you're taking some share from the construction business, which were previously developing steel buildings or civil buildings and then racks would come inside them. So, we are taking a good chunk of business from there. Along with this, there are a lot of customers who are normally buying racks who are now converted into rack supported warehouse. So the share is not only increasing out of the racking share alone which you quoted, but also coming from the building share that is there. So assume that there are customers who have a lot of warehousing requirements, who do not have a warehouse, so they would build a warehouse and then procure the racks and infrastructure inside. Instead of that, what they would do is they would come to a vendor like us and get the complete thing done with a single vendor. This is how it would be helpful for them. So we are taking the share out of the construction people as well as the racking.

Moderator: The next question is from the line of Dolly Choudhary from Niveshaay. Please go ahead.

Dolly Choudhary: So first of all, I wanted to know what is the average order value?

Afzal Hussain: Ma'am, the average order value would range from anywhere from few lakhs to crores because no two customers come with the same requirement and the same this thing. I can give you a range; it can be from anywhere from 1 lakh to all the way up to 50 crores as well.

Dolly Choudhary: And what will be your current order book position and execution timeline as well?

Afzal Hussain: Ma'am, order book position as of 1st of June was 29.18 crores.

Dolly Choudhary: And the execution time?

Afzal Hussain: Ma'am, there are projects that are short-term, medium-term and long-term. In the first half of the H1 year, probably 75% to 80% of this would be executed. There are some projects which we're just discussing which may get extended due to site not being ready. So these are some challenges that we always face.

Dolly Choudhary: And like what is our order pipeline like, how big can it get like what's the pipeline?

Afzal Hussain: I'm sorry I didn't get you, ma'am.

Dolly Choudhary: Like what is the order pipeline for us, like how much we can bid, how big the order book can grow?

Afzal Hussain: Order book at any given point of time will be approximately around 30 to 50 crores, which will have all type of orders small and larger. So this is the ideal order book.

Dolly Choudhary: So like, do we have bidding in any of our projects or the clients directly come to us to avail the services, so how does it work?

Afzal Hussain: There are multiple customers who come differently. There are some customers who come as plain paper and we write down everything on it and then we get awarded the project. There are some who understand their requirements, come with a fixed set of tender and then we have to participate in those tenders, so there are both of them.

Dolly Choudhary: Can we also have O&M opportunities in our scope of work for our warehouses?

Afzal Hussain: No, ma'am, we do not do any operations and maintenance. Maintenance as in supporting them after sales, yes, we do, but operations we are not taking them up.

Dolly Choudhary: And like what is the exports contribution as of now and visibility of exports for next year?

Afzal Hussain: Ma'am, the year closing the export contributed to 4% of the sales. We want to take it a lot from there. we have already done a lot of work as of today and we expect it to atleast double over the next year.

Moderator: The next question is from the line of Gunit Singh from Counter Cyclical PMS. Please go ahead.

Gunit Singh: What is the revenue potential at full capacity utilization currently?

Afzal Hussain: So last year FY'24 the utilization was at 40%, that was pre-IPO and we plan to take the utilization to at least 75% to 80% in this year.

Gunit Singh: So essentially that means that we would be increasing our revenues by almost 80% this year if we were to take utilization to that level. But we just have about 30 crores of orders in hand currently. So I mean, how would you see this panning out?

Afzal Hussain: So we are still very early. Most companies have still not created their budget for the year and as the budgets get made, you will have more orders flowing in and also usually H2 is the time when most orders come in because Diwali is done and then there is a clear understanding of how you have to prepare yourself for the next Diwali. So that is a far better understanding.

Gunit Singh: What kind of CAGR are we looking at for FY'25 in terms of top line and bottom line?

Afzal Hussain: 35% CAGR is expected.

Gunit Singh: Would we be able to better margins with higher top line or do we expect operational leverage this year?

Afzal Hussain: We should be able to leverage with higher manufacturing 100%.

Gunit Singh: So what kind of operating margins are we looking at for FY'25?

Afzal Hussain: What we would be doing is, we would take our EBITDA to 15% this year. So that's how we are targeting.

Moderator: The next question comes from the line of Dr. Jimmy Kagatara, an Individual investor. Please go ahead.

Dr. Jimmy Kagatara: I have two questions. First of all, you told that the H1 will be muted as compared to the H2. So, can you give a guidance regarding how much revenue split is there - it is a 40:60 or a 35:65, can you give the guidance regarding that?

Afzal Hussain: With respect to H1 and H2, historically, we have always seen around 40% H1 and 60% H2 \pm 10% is how it has always been between H1 and H2.

Dr. Jimmy Kagatara: I have gone through your latest half year result of operating profit margins around 21%. So, in recent question you told that the EBITDA margin would be around 15%. So sir, can you throw a light that are we on a decreasing trend of the margin?

Afzal Hussain: No, Sir. what we are speaking about is annual. So there were some projects invoicing which was supposed to happen in H1, but in getting approval from the client to get the sign off which moved to H2 which resulted in that data, but we will bring the EBITDA to 15% sir.

Dr. Jimmy Kagatara: What can be the PAT margins expected?

Afzal Hussain: Sir, we would want to make the PAT close to north of 7%.

Dr. Jimmy Kagatara: That is your full year guidance we are taking that 7% for FY'25 and 35% CAGR for our revenue, is that correct?

Afzal Hussain: Yes.

Moderator: The next question is from the line of Abhishek Rao from Alts Capital. Please go ahead.

Abhishek Rao

Alts Capital: A question I had was on the business. What kind of clientele do we target in the rack supported warehouse, what's the background, what's the size of these warehouses, if you could give me some light on that?

Afzal Hussain: So this year we had one project, okay I'm just giving you a reference, we had one project which was for a very small manufacturer. The project was to store just near 15 tons of materials. So there is no fixed to say the project is going to be this big or that big, it is purely based on the requirement and we have already said about the 4,00,000 square feet warehouse that we are doing. So it can be people from various industries, can be from any walks of the supply chain and any size. It is very difficult to predict that.

Abhishek Rao

Alts Capital: So when you say it's also a small warehouse that you're working on with, do you also build a warehouse for them or is just the racks that you provide like what is the actual business?

Afzal Hussain: So in that order what we have done is we have designed the complete rack, we have done the building, we have done the complete handling system, in the sense, lift and etc., everything was done by us.

Abhishek Rao

Alts Capital: So something on a contractor basis, so you would also build the warehouse for that?

Afzal Hussain: Yes, you can say a contractor, but technically there would be many other contractors also to complete the job. So you're not the sole contractor I can say.

Abhishek Rao

Alts Capital: I think an earlier participant also was alluding to this. This is on the size of the market. Having a great market share, this is understood, but what are we doing to probably increase our revenue, question #1? #2, how cyclical is the order book... do you see you know more orders coming in towards the end of the year or beginning of the year? And question no 3, how long does it take for you to probably start speaking to a potential customer to actually converting the customer into an order?

Afzal Hussain: You had too many questions. Hopefully I do justice to all your questions. So what happens is, like I said, there is one place where we are more stronger than our competition that is just to present it to the complete participants of this thing; however, in other domains also, not that we are not present, but yes, there are people who are performing better than us in one or two product categories and that's why we said that we are also going for a new product development. I did not disclose what products we are developing to catch up with the market. However, we did say that we are doing some new product development and once those developments are completed, we will also share the same with everyone. Because the market share you said is comparatively lesser, what are we taking steps to grow? One, we also have sales people across India and we have also recruited one Vice President, Sales to increase our sales network and to increase our sales in this market. And tentatively the timeline for a project can anywhere range from a week or two minimum to say I have had projects that I have worked for over two years to get finalized. So it's very difficult to predict in one way what happens because there are so many things that we work with the customers as small as few mm of space that they require, we work on that kind of detailing and to calibrate and bring the solutions in alignment to the customer and get the budgets approved, it does take time sometimes.

Abhishek Rao

Alts Capital: How much is this year's revenue came from rack supported warehouse?

Afzal Hussain: This year, in the sense you mean FY'24?

Abhishek Rao

Alts Capital: Yes.

Afzal Hussain: What I will do is... what an earlier participant also had asked me, I will share product wise exposure of the business with you all.

Abhishek Rao

Alts Capital: Last question I have is on how do you work out on the volatility of tubes prices considering that's the largest raw material for the business, do you look at any hedging solution, do you buy it in advance, have some long-term contracts?

Afzal Hussain: So what we have right now on our contracts is the price variation clause with our customers and users. So if you procure a project for me, say suppose 100 and if the prices to go up based on the percentages there will be some percentage stick to that so that you have to pay me, now if the price goes up, you have to pay me a premium on that. So it never happened pre-COVID, but it does happen now.

Abhishek Rao

Alts Capital: And what kind of margins do we aspire to hit at every project level?

Afzal Hussain: I'm sorry I didn't understand.

Abhishek Rao

Alts Capital: Basically, while quoting for a particular project what kind of margins do we bid at, and then from there is when the price escalation kicks in, right, so -?

Afzal Hussain: So all the projects mostly are booked at this thing and sometimes you have to take some strategic calls. So it varies, I cannot give a fixed number across all projects.

Moderator: The next question is from the line of Dhaval Shah from Girik Capital. Please go ahead.

Dhaval Shah

Girik Capital: A couple of questions from my side. So first of all, I'm seeing the products on your website. So we do around 40% gross margin, right, if I'm not wrong, around that number. So these parts are these scaffolding, are these tubes, what are these, so we don't manufacture any of them, right, everything is bought out for us.

Afzal Hussain: Mr. Shah, just to give you a perspective, we understand design and manufacture the rack. So the raw material for us is bought in various forms and then it is converted into usable things at our factory here in Bangalore. Most of the items we buy off the shelves for these small fasteners and etc., but most of them are manufactured by us.

Dhaval Shah

Girik Capital: So you buy metal sheets and you convert them into some sort of tubes because this is what it looks like, right, these are like, you call it tubes or scaffolding, so that's what you do, right, like mainly convert metal sheets into these tubes or pipes?

Afzal Hussain: So we call it roll forming, conversion of coil to a form material. So that is what we do.

Dhaval Shah

Girik Capital: And then all the joining parts, you buy from outside, right, like connecting one tube to the other tube, the part which joints to tubes together that you must be purchasing from the market, right?

Afzal Hussain: No, that is also manufactured by us. Only the nut bolts that would go in doing that, would be a bought out item, all the tubes that you see are manufactured, all the tube fabrications are taken up here, there are other profiles that are not tubes but they are open sections, they are also manufactured here. We take up the complete end-to-end manufacturing, only procuring fasteners from the outside.

Dhaval Shah

Girik Capital: So how long does it take from the inception stage, say for example you go and pitch it to a customer, customer gives the requirement. So, first, the designing stage and then the manufacturing stage and the delivery. So how long and what sort of visibility you have at any given point in your business?

Afzal Hussain: Like I said earlier, it takes from anywhere one week to two weeks. I have done a project in over two years as well. No real straight one answer.

Dhaval Shah

Girik Capital: So in two weeks also because it could be a standard project, so you have the parts ready and then you go and make the warehouse?

Afzal Hussain: No, no, we can close the order in two weeks, but to supply, once the order is placed on us and advances are processed, we require anywhere between two weeks, three weeks, four weeks based on the project and the complexity of the order.

Dhaval Shah

Girik Capital: Now, someone had asked about the customer profile and you mentioned we have a very wide range of customers and in the brochure it is written, it is suitable for customers where the design cannot be changed, right, that's one point where this product will not be fitted. So what do you mean by design cannot be changed? And so these are used for placing maybe if it's a factory from finished products, they're packed in boxes and then you put it there, and then there is a crane which goes up, pulls out the product which gets it down. So what is the difference, what does it mean, where the design cannot be changed?

Afzal Hussain: I'm not too sure what you are referring to, but can you just come across with a question once again?

Dhaval Shah

Girik Capital: What I mean is I'm looking at the brochure which is uploaded on the website and it's written pros and cons of the product, in the cons you've written, the overall design cannot be changed. So –

Afzal Hussain: Which case are you referring to?

Dhaval Shah

Girik Capital: This product is racks and rollers, rack supported warehouses.

Afzal Hussain: So what was your question on this?

Dhaval Shah

Girik Capital: So what do you mean by the design cannot be changed? So what sort of customer profile will this be suited for? So there will be some customers which would want the design to be changed depending on what kind of product is kept in the warehouse. So wanted to understand, get a sense on the custom profile for us?

Afzal Hussain: So when we say design cannot be changed, I'll just take it as an example and I'll explain it. You have a home of your own. You have a plot on that you have made a home for yourself after, say, a year you feel that I want a bigger bedroom, it's not possible to make the bedroom bigger overnight because you have already made the structure around that, because whatever degrees of freedom you wanted then at the time of design were all taken in consideration and needs. Now to just create new one wall is not possible. We have to understand many structural limitations that would arise from doing that. So hence we say that it may be a flexible system, but it cannot introduce change overnight.

Dhaval Shah

Girik Capital: So there is one more company Craftsman Automation. They also have this storage segment where they design this warehouse system. So how would your business be different from them and also from the lives of –

Afzal Hussain: Craftsman has multiple businesses conglomerate. Racking is part of one of their verticals. Yes, they are competitive. There would be times when they would win and there would be times when we would win over in many project's , whereas in plenty of products we have some competitive edge on them. And then and it is not right for me to comment on Craftsman as an

organization, they are also our peers and they are performing very well and wouldn't want to comment much about them.

Dhaval Shah

Girik Capital: I was just trying to understand the products. That's fine.

Afzal Hussain: Primarily, product wise, there are some products that they have that which we don't have and some products which we have that they don't have. That's how the product mix is. Nobody can technically have all the products for all the customers.

Dhaval Shah

Girik Capital: In the fourth quarter, we did 20% EBITDA margin and then there are previous quarters the margins were quite low than that. So what leads to this higher EBITDA margin?

Afzal Hussain: So we had even said this that right now what material we were procuring on credit, we could easily save 5% in the raw material procurement whereby increasing our EBITDA. Second, because we will do more manufacturing, we could leverage on the manufacturing and derive economies of scale to get that EBITDA of 20%.

Dhaval Shah

Girik Capital: Now, since we have a very successful IPO, shouldn't this be continuing going forward and your margin looks conservative thus of 15% because you see like what cash discount you would have got in class, what additional manufacturing you would be doing now, should continue technically?

Afzal Hussain: Yes. It should only go north. That's how we are seeing this. We're very positive that it should go north.

Dhaval Shah

Girik Capital: And in terms of our backward integration, now completely, as you said, we manufacture everything and only the nuts, bolts and fasteners is what we procure from the market, so there is nothing more what we can do in terms of our manufacturing set up, is my understanding right?

Afzal Hussain: See, with respect to components, yes, there can be plenty of other things that we can certainly do and there are some (NPDs) new product development that we mentioned, which we are working on. So the NPDs will help us do more business in the export market as well as in the domestic markets, because every product has a particular requirement and exposure rate. So we are working on that and that is what we want to be doing.

Moderator: The next question is from the line of Yatin Kapoor, an individual investor. Please go ahead.

Yatin Kapoor: So, my question was regarding our income. So just want to know the business models, how it works is that you get a contract and you give them what they ask for and you are paid. Do we also have some service option available where we have a kind of recurring income coming on quarterly basis or it's just the one-time income which we get from once the project is done?

Afzal Hussain: So yes, at one project, one customer is one income. After that we can get a maintenance contract for doing that and then we can also get audit contracts.

Yatin Kapoor: If you can tell me what percentage of total income would that be as of now?

Afzal Hussain: Right now, aftersales and this thing would be less than 1%.

Yatin Kapoor: And do we expect it to grow further or that won't be an area to focus on as of now?

Afzal Hussain: If you have eight racks, usually they perform for eight years, 10 years. It's only when customer who has an extension requirement, that's when they come back. But this things does not need maintenance. However, in automation, there is maintenance, but that is also very limited.

Moderator: The next question is from the line of Rahul Matlani from Rico Capital. Please go ahead.

Rahul Matlani

Rico Capital: You've spoken about the guidance as well. Thank you for that and congratulations on the listing. Just wanted to understand, are these margins going ahead going to be the same like can we assume that this will be the base going ahead or will it be fluctuating based on the order values and contract size?

Afzal Hussain: Mr. Rahul, I couldn't get you rightly.

Rahul Matlani

Rico Capital: Now, I have a couple of questions. The margins going ahead, can we assume that this will be the base margins and this will improve only based on the contracts which you guys will be winning and what is the scope of like expanding this?

Afzal Hussain: Yes, the margins would only go north. Right now, we have not achieved 100% of the plant capacity. The first goal would be to take the plant towards 100% capacity and thereafter we would want to plan another plant probably in India, probably abroad, but that's how we look at it.

Rahul Matlani

Rico Capital: And the second question and the final one will be, I believe we have like 4% export, right, revenues coming from there. So which particular market are we like targeting -- is it the Middle East?

Afzal Hussain: Yes, primarily the Middle East. All the revenue has come from Saudi, Dubai and UAE.

Moderator: The next question is from the line of Prateek Chaudhary from Saamarthya Capital. Please go ahead.

Prateek Chaudhary

Saamarthya Capital: Sir, just confirming on your initial remarks that you said that we would aspire to achieve 75% to 80% utilization of our plant in FY'25, is that correct?

Afzal Hussain: Yes.

Prateek Chaudhary

Saamarthya Capital: Because it's just around the corner, so we might already be looking for a plant expansion or a new plant coming up for us?

Afzal Hussain: Yes, it's already on the cards. In the next '26-27, we will have to do that.

Prateek Chaudhary

Saamarthya Capital: In the next, what, sir, I could not hear you.

Afzal Hussain: No, in the next year, '26, we'll have to do it.

Prateek Chaudhary

Saamarthya Capital: And in your presentation, you spoke about some strategic move of establishing a partnership in the MENA region. If you could give some more color on that?

Afzal Hussain: Yes, we are in the process of thinking something with a partner in MENA. Right now, we are in some negotiations and discussions. Once it is completed officially we will declare the same.

Prateek Chaudhary

Saamarthya Capital: And could this market be much, much larger than what we service in India?

Afzal Hussain: No, market in India is much larger than what we get in that country, but the bottom lines are better in those markets when compared to India.

Prateek Chaudhary

Saamarthya Capital: And in your diversification and new product development, you've talked about retail shelving, supermarkets and machine manufacturing unit. What is this about, would give any details on this?

Afzal Hussain: So, like you studied from our website that we are basically into warehouse racks. So, there are two type of fixtures that go. One is to store your bulk material that is in the warehouse and second one is something like what is there in your supermarket. You would go to any supermarket, you would see that racks which was over there, which are to visually please you to make the purchase. So, that is the line that we would want to enter into, one. Second, with respect to other new product developments are also happening in those lines. And with respect to machines, most of the machines that manufacture those components is made by us. So we are also looking at businesses where we can manufacture those machines and sell it to other partners.

Prateek Chaudhary

Saamarthya Capital: And how soon could these two things be coming up for us?

Afzal Hussain: With respect to the new product development and retail shelving, as we speak also the NPD team is working on it, one-by-one product would get launched. So, it will take some time maybe six months to nine months. However, for the machines it may take about a year.

Prateek Chaudhary

Saamarthya Capital: And are we also planning something in data center racks?

Afzal Hussain: No, sir. Data center racks are very different from the racks that we manufacture. Data center racks that revolve around circulation of air and very compact in size. We are currently not doing that.

Prateek Chaudhary

Saamarthya Capital: Would we aspire to do that or get into that?

Afzal Hussain: Maybe something in future, but I wouldn't be able to comment as of today.

Prateek Chaudhary

Saamarthya Capital: The presentation slide mentioned that the changes that have happened post-IPO where you have mentioned that the raw material purchases have now been happening on a cash basis and hence incrementally we would have a margin advantage of almost 5%. So, we did 13% for FY'24, right and just 5% on this makes it potentially 18% or even higher. Are there any other such initiatives that would also help us increase our margins?

Afzal Hussain: Yes, one, like you rightly mentioned, by going in for cash purchases and getting cash discounts on purchases we are able to generate more EBITDA. Second, there are other activities also we are doing, thereby by virtue of which you can increase your margin and reduce the overall cost of manufacturing the same. So yes, there are some steps that have been taken.

Moderator: The next question is from the line of Prince Choudhary from Pioneer Investcorp Limited. Please go ahead.

Prince Choudhary

Pioneer Investcorp Limited: So my first question is, do you have any client concentration in FY'24 from the top five or top 10 clients?

Afzal Hussain: Sorry.

Prince Choudhary

Pioneer Investcorp Limited: Do we have client concentration revenue from top five or top 10 something like that?

Afzal Hussain: It keeps changing because when you are in a project industry, sometimes top five would be giving a better exposure, sometimes it would be less. So, there is nothing fixed as of such because you don't have a fixed line of revenue, because assume that as a customer, you would be that... Mr. Prince Choudhary is there with me, so he finished his complete procurement cycle and then for two years he is not there, again he comes back after two years because now he wants to do another set of expansions, so it does change, sir.

Prince Choudhary

Pioneer Investcorp Limited: So how many clients we have added during the year and how do we look forward to go ahead?

Afzal Hussain: Number of clients added? I do not have that data as of now only. However, we share the number of clients added.

Moderator: Ladies and gentlemen, we will take that as a last question for today. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Afzal Hussain: Thank you, everyone, for all your questions and I'll assume that you all are satisfied with the answers that we have given you and we only thank you for your extended support and trust and the confidence that you have invested in us as a management. And I would just reiterate a few things that I have said earlier that, yes, we are committing to a growth of 35% in revenue. By doing so, we may be increasing our capacity of the factories. Our target, however, is to take the factory capacity up to 80% and it is only time that will realize that how much we are able to achieve. And as we always said that we will take PAT to 7% and hopefully next year when we have this meeting, we'll be in a better position and a better place to be able to give you this.

Moderator:

On behalf of Storage Technologies & Automation Limited, that concludes this conference.
Thank you all for joining us. You may now disconnect your lines.